

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Global Plus 1C Contracts (MC2012-6)  
Negotiated Service Agreement

Docket Nos. CP2015-68

PUBLIC REPRESENTATIVE COMMENTS ON REQUEST OF  
THE UNITED STATES POSTAL SERVICE TO ADD A FUNCTIONALLY EQUIVALENT  
GLOBAL PLUS 1C NEGOTIATED SERVICE AGREEMENTS

(May 22, 2015)

The Public Representative hereby provides comments pursuant to Order No. 2484.<sup>1</sup> In this Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's intent on entering into an additional Global Plus 1C contract and have the contracts included within the Global Plus 1C product on the grounds of functional equivalence to a previously approved baseline agreement.<sup>2</sup>

In Order No. 1151, the Commission authorized the addition of the Global Plus 1 product to the competitive product list and determined that the Global Plus 1C contracts filed in Docket Nos. CP2012-12 and CP2012-13 should be included within the product.<sup>3</sup> Subsequently, the Commission approved the Global Plus 1C products, and included the contracts filed in Docket Nos. MC2012-6, CP2012-12, and CP2012-13. *Notice at 2.*

The Global Plus 1C contract described in Docket No. CP2015-68 is scheduled to become effective within 30 days after receiving Commission approval. The contract is expected to remain in effect until 11:59 p.m. May 31, 2016.<sup>4</sup>

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<sup>1</sup> PRC Order No. 2484, Notice and Order Concerning an Additional Global Plus 1C Contract Negotiated Service Agreement, May 15, 2015.

<sup>2</sup> Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1C Negotiated Service Agreement and Application for Non-Public Treatment of materials Filed Under Seal, January 10, 2013 (Notice). Page 1 – 2.

<sup>3</sup> See PRC Order No. 1151, Order Adding global Plus 1C to the Competitive Product List and Approving Related Global Plus 1C Agreements, Docket Nos. MC2012-6, CP2012-12, and CP2012-13, January 19, 2012.

<sup>4</sup> See Global Plus 1C Service Agreement (filed under seal) at 4-5.

## COMMENTS

The Public Representative has reviewed the Postal Service's Request, the Statement of Supporting Justification (Attachment 3), and the contracts. Also reviewed were the supporting financial models filed separately under seal for each of the Global Plus 1C contracts that accompanied the Postal Service's Request. Based upon that review, the Public Representative concludes that the Global Plus 1C contract is functionally equivalent to the contracts filed in Docket Nos. CP2012-12 and CP2012-13, which serve as the baseline agreements for comparison under the Global Plus 1C grouping.<sup>5</sup>

*Product Costs.* Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product rates (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service. In this proceeding, the Postal Service asserts that "the instant Agreement and the baseline agreements are functionally equivalent because they share similar cost and market characteristics."<sup>6</sup> The financial models accompanying the Postal Service's Request indicates that the Postal Service covers its cost and this cost coverage is similar to previous contracts deemed functionally equivalent by the Commission in previous cases.

*Functional Equivalence.* In its Request, the Postal Service explains that the instant Global Plus 1C contract is the immediate successors to the contracts in Docket Nos. CP2012-13 and CP2012-13.

The Postal Service states that these Global Plus 1C contracts "fits within the parameters outlined by the Governors' Decisions establishing and authorizing the rates for Global Plus 1C agreements." *Notice* at 6. The Postal Service also addresses differences between this contract and the contracts that are subject of Docket Nos. CP2012-12 and CP2012-13. The differences include replacement of Express Mail International with Priority Mail Express International, and revisions to Articles 2, 3, 4, 6,

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<sup>5</sup> See PRC Order No. 1151, Order Adding Global Plus 1C to the Competitive Product List and Approving Related Global Plus 1C Agreements, Docket Nos. MC2012-6, CP2012-12, and CP2012-13, January 19, 2012, page 7-8.

<sup>6</sup> *Notice* at 3..

7, 8, 12, 13, 15, 17, 18, 24, 25, 27, 30, 31, 33 and 34.<sup>7</sup> However, the Postal Service “does not consider these specified differences affect either the fundamental service the Postal Service is offering or the fundamental structure of the contract.” *Id* at 7. It, therefore, asserts that the instant contracts are functionally equivalent in all pertinent aspects to the contracts that are the subject of Docket Nos. CP2012-12 and CP2012-13. *Id.* at 7.

The Public Representative agrees that these differences do not alter the Global Plus 1C contract and remain functionally equivalent to the baseline product.

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

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<sup>7</sup> See Notices of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1C Negotiated Service Agreement and Application for Non-Public and Application for Non-Public Treatment of Materials Filed Under Seal for Docket Nos. CP2013-37 and CP2013-39. Page 6.